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Director John R. Baza
Utah Division of Oil, Gas & Mining
1594 West North Temple
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HAND DELIVERED

December 22, 2006

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Guernsey
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RE: Horse Canyon Mine, Lila Canyon Extension, C/007/013 -- Response to Southern Utah Wilderness Alliance ("SUWA")

Dear Mr. Baza:

On behalf of UtahAmerican Energy, Inc. ("UEI"), we hereby respond to SUWA's letter dated December 19, 2006, regarding the need for a further hearing in this matter and the status of the permit application for the Lila Canyon Extension. UEI and SUWA both agree that a formal hearing is not needed to rescind the stipulation upon which the January 16, 2006 Order was based. UEI's letter dated November 22, 2006, withdrew the permittee's agreement to the extension and started the sixty (60) day permit review period pursuant to Utah Code Ann. § 40-10-14. Therefore, there is no need to reconvene the informal conference in this matter and the Division of Oil, Gas and Mining ("**Division**"), should be required to finalize its review of UEI's permit application by January 22, 2007.

Contrary to SUWA's assertions, the Division has more than adequate basis to grant UEI's permit application. As set forth in Michael McKown's letter to you dated December 1, 2006, the Division found the mine permit to be technically adequate in its TA determination issued on September 21, 2005. UEI's submissions to the Division since that time have simply clarified the permit application in response to SUWA's redundant and baseless objections. SUWA's most recent correspondence once again attempts to delay issuance of the permit using the same groundless objections.

UEI has fully responded to the Division's November 27, 2006 letter seeking supplemental technical information and clarifications. Contrary to SUWA's assertions, there is no regional aquifer affected by the Lila Canyon project. UEI has adequately and completely described the recharge and discharge areas of the lower water-bearing zones within the permit area. See Section 724.100 text, Plates 7-1A and 7-1B, and Figures 7-1, 7-3 and 7-4 of UEI's permit application. Notably, the Division's September, 2005 TA has already determined that UEI's hydrological information is technically adequate. See TA pages 27-36.

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UEI has repeatedly demonstrated to the satisfaction of the Division that the permit contains adequate baseline information for surface and groundwater quantity and quality. *See* text in Sections 724.100 and 724.200, Appendices 7-1 and 7-2, and Division water monitoring data base. UEI has submitted all required data and has also provided models of the flow characteristics of ephemeral streams within the permit area. *See* Section 724.200 text, Table 7-1A and Appendix 7-10. Contrary to SUWA's allegations, UEI has reported the results of two separate detailed seep and spring inventories of the permit area, one by JBR consultants and one by EarthFax Engineering, and has submitted all required maps and cross-sections and has fully assessed the impacts of subsidence. *See* Section 728, Appendix 7-3 and Section 525.

Finally, UEI's permit was found by the Division to be in compliance with the National Historic Preservation Act ("NHPA") in September, 2005. TA pages 44, 52. Additional cultural surveys conducted by UEI in 2006 have failed to reveal additional sites which are recommended for listing on the National Historic Register. Tribal consultation under § 106 NHPA is triggered by federal mining plan review which will not occur until after the Division has issued the mine permit. Therefore, tribal consultation may be unnecessary and is certainly premature until the United States Department of the Interior determines whether a new federal mining plan is required for the Lila Canyon Mine.

In sum, more than one year ago, the Division found the mine permit application to be technically adequate. UEI requests that the Division proceed to issue the mine permit no later than January 22, 2007.

Very truly yours,



Denise A. Dragoo

DD:jmc:424791

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